

## Message Text

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TO SECSTATE WASHDC 8835

INFO AMCONSUL BOMBAY

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UNCLAS NEW DELHI 0196

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: DOMESTIC PROCUREMENT OF RICE AND COARSE GRAINS

BEGIN SUMMARY- GRAIN PROCUREMENT FROM THE 1973 FALL-HARVESTED (KHARIF) CROPS IS MUCH BELOW GOVERNMENT EXPECTATIONS. THE GOI MINISTER OF AGRICULTURE WILL MEET NEXT WEEK WITH SEVERAL STATE CHIEF MINISTERS AND AGRICULTURAL MINISTERS TO REVIEW THE PROBLEM AND DEVELOP PLANS FOR EXPEDITING GRAIN PROCUREMENT BY GOVERNMENT AGENCIES. END SUMMARY.

1. THE GRAIN PROCUREMENT TARGETS FROM THE 1973-74 RICE AND COARSE GRAIN HARVEST(PREDOMINANTLY FALL AND WINTER-HARVESTED) WERE SET AT 5 MILLION METRIC TONS AND 1.65 MILLION TONS, RESPECTIVELY. ACTUAL PROCUREMENTS THROUGH DECEMBER 31 TOTALLED 1,623,000 TONS OF RICE AND 178,000 TONS OF COARSE GRAINS. ALTHOUGH TOTAL PROCUREMENTS BY GOVERNMENT AGENCIES AS OF DECEMBER 31 WERE 77 PERCENT ABOVE PROCUREMENTS IN THE PREVIOUS YEAR (A DROUGHT YEAR) AT THE SAME DATE, THEY ARE BELOW GOVERNMENT EXPECTATIONS. NORMALLY NOVEMBER AND DECEMBER ARE THE HEAVIEST PROCUREMENT MONTHS FOR RICE AND COARSE GRAINS WITH MONTHLY PROCUREMENTS DIMINISHING SUBSTANTIALY AFTER

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2. BECAUSE OF THE SLOW PROGRESS OF GOVERNMENT AGENCIES IN PROCURING GRAIN, THE GOI MINISTER OF AGRICULTURE HAS ARRANGED FOR MEETINGS WITH SEVERAL STATE CHIEF MINISTERS AND AGRICULTURAL MINISTERS DURING THE PERIOD JAN 6-10 TO REVIEW THE PROBLEM AND DEVELOP PLANS FOR EXPEDITING GRAIN PROCUREMENT BY GOVERNMENT AGENCIES.

3. COMMENTS- THERE ARE TWO PRIMARY REASONS FOR SLOW DELIVERIES OF GRAIN TO GOVERNMENT PROCUREMENT AGENCIES. BECAUSE OF THE 1972 MONSOON FAILURE AND RELATIVELY POOR GRAIN CROPS, FARM STOCKS OF GRAINS WERE DEPLETED. MANY FARMERS AND LOCAL GRAIN MERCHANTS ARE APPARENTLY HOLDING BACK LARGER QUANTITIES OF GRAIN THEN WERE ANTICIPATED EARLIER. A SECOND FACTOR IS THAT OPEN MARKET PRICES OF GRAIN CONTINUE TO BE SIGNIFICANTLY HIGHER THAN GOVERNMENT PROCUREMENT PRICES EVEN THOUGH GOVERNMENT PRICES FOR MILLED RICE AND COARSE GRAINS WERE INCREASED BY 20 TO 33 PERCENT OVER THE PREVIOUS YEAR'S PRICES. UNLESS THE GOVERNMENT CAN BRING ABOUT A MARKED INCREASE IN GRAIN PROCUREMENT FROM THE 1973 KHARIF HARVEST, IT WILL BE FACED WITH THE PROBLEMS OF EITHER INCREASING FOODGRAIN IMPORTS OR REDUCING ALLOCATIONS TO DEFICIT AREAS, NEITHER OF WHICH IS AN ATTRACTIVE ALTERNATIVE. MOYNIHAN

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